

## **Towngas' ECO Investments Participates in Madagascar Oilfield Block 3113 Project**

(HONG KONG, June 20, 2008) -- The Hong Kong and China Gas Company Limited ("Towngas") announces that ECO Energy (International) Investments Limited ("ECO Energy"), a wholly-owned subsidiary of ECO Environmental Investments Limited ("ECO Investments") under Towngas, entered into an agreement with Madagascar Energy International Limited ("MEIL"), a wholly-owned subsidiary of Sino Union Petroleum & Chemical International Limited ("SUNPEC", 0346.HK) on June 17, 2008 to jointly invest and manage the exploration, exploitation and operation of Madagascar Oilfield Block 3113 in Africa. Together with the agreement between MEIL and Shaanxi Yanchang Petroleum (Group) Limited ("Yanchang Petroleum") signed in April this year, this project becomes a tri-party investment project of Yanchang Petroleum, MEIL and ECO Energy.

This is Towngas' first strategic alliance project with Yanchang Petroleum, the fourth largest petroleum enterprise in Mainland China, and SUNPEC. Yanchang Petroleum, established for more than 100 years, is a state-owned petroleum enterprise which is well-experienced in exploring and exploiting petroleum in Mainland China. Its wealth of energy experience covers oil and gas exploration, exploitation, refinery, extraction etc., and its businesses are mainly located in western China.

Pursuant to the production sharing contract entered into between MEIL and The National Office for Mining and Strategic Industries of Madagascar in October 2005, MEIL was vested with the rights to engage in oil exploitation and operation for 25 years (with 5 years possible extension) and gas exploitation and operation for 35 years (with 10 years possible extension) in Oilfield Block 3113, an onshore site with a total area of 8,320 square kilometers. MEIL engaged an independent international reserve consultant, Netherland Sewell & Associates, Inc., in early 2007 to conduct a technical assessment of Oilfield Block 3113.

The investment proportions of Yanchang Petroleum, MEIL and ECO Energy in Oilfield Block 3113 project are 50%, 29% and 21% respectively. After deducting the royalty and sharing of oil and gas produced paid to the government of Madagascar; cost recovery oil and gas distributed to each party and sharing of 18% of oil and gas rights by MEIL, each party will share afterwards in accordance with their respective investment proportions.

The total capital investment in this project is estimated to be not more than US\$300 million (or about HK\$2,340 million), depending on a number of factors especially the results and the amount of recoverable reserve estimates of oil and gas made in the exploration period. Although the capital investment amount of ECO Energy in this project is relatively small in scale compared to Towngas Group's other gas and energy projects in Mainland China, cooperation with SUNPEC and Yanchang Petroleum in this project will strengthen the technical capability and experience of Towngas Group's exploration, exploitation and operation of upstream oil projects, which will further enhance Towngas Group's development of other upstream energy projects.

This is Towngas Group's first overseas investment project in developing oil and gas resources. The Group will continue to invest in piped city-gas projects and emerging energy businesses in Mainland China in future.

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